

*Township of Port Sheldon*  
*Ottawa County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Township of Port Sheldon***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Township of Port Sheldon, Michigan's (the Township), financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased by \$280,637 (6 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$278,326, while the business-type activities net assets increased by \$2,311.
- Of the \$4,781,464 total net assets reported, \$809,093 is restricted for various purposes and \$1,060,504 (22 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,034,230, which represents 72 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's annual financial report is comprised of three parts: the management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the water system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

**Township of Port Sheldon**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water system is reported here.
- *Component unit* - The Township includes one other entity in its report - the Economic Development Corporation. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

**Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to show that it is properly using certain taxes and other revenues (like the public safety millage).

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**Fund financial statements (Continued)**

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activity, but provides more detail and additional information, such as cash flows.
- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$4,781,464, an increase of 6 percent compared to the prior year. Of this total, \$2,911,867 is invested in capital assets and \$809,093 is restricted for various purposes. Consequently, unrestricted net assets were \$1,060,504, or 22 percent of the total.

Condensed financial information  
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,912,743	\$ 2,225,479	\$ 26,274	\$ 23,963	\$ 1,939,017	\$ 2,249,442
Capital assets	<u>4,075,867</u>	<u>3,479,073</u>	<u>-</u>	<u>-</u>	<u>4,075,867</u>	<u>3,479,073</u>
Total assets	<u>5,988,610</u>	<u>5,704,552</u>	<u>26,274</u>	<u>23,963</u>	<u>6,014,884</u>	<u>5,728,515</u>
Long-term debt outstanding	1,164,000	1,187,000	-	-	1,164,000	1,187,000
Other liabilities	<u>69,420</u>	<u>40,688</u>	<u>-</u>	<u>-</u>	<u>69,420</u>	<u>40,688</u>
Total liabilities	<u>1,233,420</u>	<u>1,227,688</u>	<u>-</u>	<u>-</u>	<u>1,233,420</u>	<u>1,227,688</u>
Net assets:						
Invested in capital assets, net of related debt	2,911,867	2,292,073	-	-	2,911,867	2,292,073
Restricted	809,093	791,179	-	-	809,093	791,179
Unrestricted	<u>1,034,230</u>	<u>1,393,612</u>	<u>26,274</u>	<u>23,963</u>	<u>1,060,504</u>	<u>1,417,575</u>
Total net assets	<u>\$ 4,755,190</u>	<u>\$ 4,476,864</u>	<u>\$ 26,274</u>	<u>\$ 23,963</u>	<u>\$ 4,781,464</u>	<u>\$ 4,500,827</u>

**Township of Port Sheldon**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets.** The Township's total revenues for the current year were \$1,336,514 compared to \$1,265,382 in the prior year. More than 55 percent of the Township's revenues come from property taxes while state shared revenue accounts for 23 percent of the revenues. Charges for services account for 8 percent of the Township's revenues.

The total cost of the Township's programs in the current year, covering a wide range of services, totaled \$1,039,915. The total cost of services in the prior year was \$994,105. More than 42 percent of the Township's costs relate to general government expenses while public safety (fire protection and building inspections) represents 22 percent of all costs.

Condensed financial information

Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 92,848	\$ 116,764	\$ 17,624	\$ 15,442	\$ 110,472	\$ 132,206
Operating grants and contributions	6,308	6,349	-	-	6,308	6,349
General revenues:						
Property taxes	737,196	700,387	-	-	737,196	700,387
State shared revenue	307,895	306,332	-	-	307,895	306,332
Interest income	96,304	94,897	649	541	96,953	95,438
Franchise fees	12,344	24,670	-	-	12,344	24,670
Other	65,346	-	-	-	65,346	-
Total revenues	<u>1,318,241</u>	<u>1,249,399</u>	<u>18,273</u>	<u>15,983</u>	<u>1,336,514</u>	<u>1,265,382</u>
Expenses:						
Legislative	4,232	4,198	-	-	4,232	4,198
General government	439,511	398,014	-	-	439,511	398,014
Public safety	227,541	237,769	-	-	227,541	237,769
Public works	150,907	145,390	-	-	150,907	145,390
Recreation and culture	101,050	61,370	-	-	101,050	61,370
Community and economic development	67,153	68,403	-	-	67,153	68,403
Interest on long-term debt	49,521	78,961	-	-	49,521	78,961
Water	-	-	15,962	19,776	15,962	19,776
Total expenses	<u>1,039,915</u>	<u>994,105</u>	<u>15,962</u>	<u>19,776</u>	<u>1,055,877</u>	<u>1,013,881</u>
Increase (decrease) in net assets	<u>\$ 278,326</u>	<u>\$ 255,294</u>	<u>\$ 2,311</u>	<u>\$ (3,793)</u>	<u>\$ 280,637</u>	<u>\$ 251,501</u>

**Governmental activities**

Governmental activities increased the Township's net assets by \$278,326 in the current year compared to a \$255,294 increase in the prior year. Net assets continue to increase because general revenues, while stagnant, exceeded expenditures in each year. Expenses increased by 4.6 percent; however, revenues increased by 5.5 percent. The increase was greater in the current year primarily due to a one-time sale of lumber that generated revenue of \$40,858.

The following table shows the costs of the Township's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,039,915. However, the amount that our taxpayers paid for these activities through general revenues was \$940,759. Some of the cost was paid by:

- Those who directly benefited from the programs (\$110,472), and
- Other governments that subsidized certain programs with grants and contributions (\$6,308).

The Township paid for the \$940,759 "public benefit" portion with \$1,219,085 in general revenues including property taxes and other revenues, such as state shared revenue and interest income.

	<i><u>Total cost of services</u></i>	<i><u>Net cost of services</u></i>
General government	\$ 439,511	\$ 413,640
Public safety	227,541	175,285
Public works	150,907	146,992
Other	<u>221,956</u>	<u>204,842</u>
<b>Totals</b>	<b><u>\$ 1,039,915</u></b>	<b><u>\$ 940,759</u></b>

**Business-type activities**

Business-type activities increased the Township's net assets by \$2,311 in the current year compared to a \$3,793 decrease in the prior year. User charges were increased in the current year by \$2,182 while operating costs decreased by \$3,814.

**Governmental funds**

As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$1,715,961, a decrease of \$215,708 compared to last year's balances.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,034,230, which represents 72 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 60 percent of the combined ending fund balances of the governmental funds.



**Township of Port Sheldon**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Governmental funds (Continued)**

The General Fund experienced a decrease of \$359,382 in fund balance because expenditures exceeded revenues in the current year primarily due to construction of a nonmotorized pathway. The cost of the pathway improvement approximated \$772,000.

In addition, these other changes in fund balances should be noted:

- The fund balance of the Fire Fund increased by \$71,044. Property taxes levied covered expenditures of the current year. In addition, the General Fund transferred \$31,967 to the Fire Fund during the current year. The fund incurred minimal capital outlay expenditures in the current year.
- The fund balance of the Sewer District #1 Fund increased by \$37,797 because special assessment collections exceeded debt service costs in the current year.
- The fund balance of the Sewer District #2 Fund increased by \$34,833 because special assessment collections exceeded debt service costs in the current year.

**General Fund budgetary highlights**

The Township made few amendments to the General Fund budget. The most significant amendment was an increase to the public works budget of \$135,000 for pathway construction. The total budgeted expenditures did not increase as the \$135,000 was transferred from the budget for capital outlay expenditures.

Revenues were \$96,494 more than budgeted while expenditures and transfers to other funds were \$392,877 less than the amounts appropriated. These conditions resulted in a \$489,371 positive budget variance and a \$359,382 decrease in fund balance compared to a budgeted \$848,753 decrease.

There were no negative variances in any of the General Fund functional expenditure classifications.

**Capital assets and debt administration**

*Capital assets*

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$4,075,867 (net of accumulated depreciation). This investment includes a broad range of assets including land, various infrastructure items, buildings, and equipment. The net increase in the Township's net investment in capital assets for the current fiscal year was \$596,794 or 1 percent.

	<i>Governmental activities</i>
Land	\$ 236,443
Buildings and improvements	1,030,878
Equipment	157,409
Vehicles	376,292
Infrastructure	<u>2,274,845</u>
<b>Totals</b>	<b><u>\$ 4,075,867</u></b>

*Capital assets (continued)*

The major capital asset event during the current fiscal year involved the construction of a non-motorized pathway (infrastructure) with costs totaling \$772,044.

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

*Debt administration*

At the end of the fiscal year, the Township had contracts payable outstanding in the amount of \$1,164,000, which represents a decrease of \$23,000, or 2 percent. All debt is backed by the full faith and credit of the Township.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

**Economic condition and outlook**

The Township's budget for the next fiscal year projects property taxes, which is the largest single source of revenue, to increase slightly. State revenue sharing is also a significant source of revenue for the Township. While the Township no longer receives statutory state revenue sharing, constitutional state revenue sharing is projected to remain the same.

Expenditures are projected to decrease in the next fiscal year. The largest single decrease is projected in non-motorized pathway construction and maintenance. A new non-motorized pathway was completed with costs of construction approaching \$800,000. Funds that have been set aside in the previous four years, together with less road construction, make it possible to undertake these projects while maintaining strong fiscal health for the Township.

**Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Howard Baumann, Jr., Township Supervisor  
Township of Port Sheldon  
16201 Port Sheldon Street  
West Olive, Michigan 49460

Phone: (616) 399-6121

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Port Sheldon, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Port Sheldon, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township of Port Sheldon, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Port Sheldon, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Township of Port Sheldon, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 14 to the financial statements, the Township recorded prior period adjustments to correct its method of accounting for an amount due from another governmental unit and for an overstatement of an amount due to another governmental unit.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Siegfried Crandall P.C.*

August 5, 2008



1958-2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Port Sheldon**  
**STATEMENT OF NET ASSETS**  
March 31, 2008

	<u>Primary government</u>		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,551,528	\$ 26,274	\$ 1,577,802
Receivables	250,340	-	250,340
Total current assets	<u>1,801,868</u>	<u>26,274</u>	<u>1,828,142</u>
Noncurrent assets:			
Receivables	110,875	-	110,875
Capital assets not being depreciated - land	236,443	-	236,443
Capital assets, net of accumulated depreciation	<u>3,839,424</u>	<u>-</u>	<u>3,839,424</u>
Total noncurrent assets	<u>4,186,742</u>	<u>-</u>	<u>4,186,742</u>
Total assets	<u>5,988,610</u>	<u>26,274</u>	<u>6,014,884</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	69,420	-	69,420
Contracts payable	<u>113,000</u>	<u>-</u>	<u>113,000</u>
Total current liabilities	182,420	-	182,420
Noncurrent liabilities - contracts payable	<u>1,051,000</u>	<u>-</u>	<u>1,051,000</u>
Total liabilities	<u>1,233,420</u>	<u>-</u>	<u>1,233,420</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,911,867	-	2,911,867
Restricted for:			
Public safety	284,769	-	284,769
Debt service	524,324	-	524,324
Unrestricted	<u>1,034,230</u>	<u>26,274</u>	<u>1,060,504</u>
Total net assets	<u>\$ 4,755,190</u>	<u>\$ 26,274</u>	<u>\$ 4,781,464</u>

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***Component  
Unit***  

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***Economic  
Development  
Corporation***

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\$ 17,666

-

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17,666

-

-

-

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-

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17,666

-

-

-

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-

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-

-

-

-

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17,666

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\$ 17,666

*See notes to financial statements*

**Township of Port Sheldon**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Primary government:			
Governmental activities:			
Legislative	\$ 4,232	\$ -	\$ -
General government	439,511	25,871	-
Public safety	227,541	49,863	2,393
Public works	150,907	-	3,915
Community and economic development	67,153	9,840	-
Recreation and culture	101,050	-	-
Interest on long-term debt	49,521	7,274	-
Total governmental activities	1,039,915	92,848	6,308
Business-type activity - water	15,962	17,624	-
Total primary government	<u>\$ 1,055,877</u>	<u>\$ 110,472</u>	<u>\$ 6,308</u>
Component unit:			
Economic Development Corporation	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes  
State shared revenue  
Interest income  
Lumber sales  
Franchise fees  
Other

Total general revenues

Change in net assets

Net assets - beginning, as restated

Net assets - ending

<i>Net (expenses) revenues and changes in net assets</i>			
<i>Primary government</i>			<i>Component Unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	
\$ (4,232)		\$ (4,232)	
(413,640)		(413,640)	
(175,285)		(175,285)	
(146,992)		(146,992)	
(57,313)		(57,313)	
(101,050)		(101,050)	
(42,247)		(42,247)	
(940,759)		(940,759)	
-	\$ 1,662	1,662	
(940,759)	1,662	(939,097)	
			\$ (250)
737,196	-	737,196	-
307,895	-	307,895	-
96,304	649	96,953	661
40,858	-	40,858	-
12,344	-	12,344	-
24,488	-	24,488	-
1,219,085	649	1,219,734	661
278,326	2,311	280,637	411
4,476,864	23,963	4,500,827	17,255
\$ 4,755,190	\$ 26,274	\$ 4,781,464	\$ 17,666

See notes to the financial statements



**Township of Port Sheldon**  
**BALANCE SHEET - governmental funds**  
 March 31, 2008

	<i>Major funds</i>			
	<i>General</i>	<i>Fire</i>	<i>Sewer District #1</i>	<i>Sewer District #2</i>
<b>ASSETS</b>				
Cash	\$ 1,001,626	\$ 301,663	\$ 144,822	\$ 103,417
Receivables	<u>81,124</u>	<u>4,006</u>	<u>203,762</u>	<u>72,323</u>
Total assets	<u>\$ 1,082,750</u>	<u>\$ 305,669</u>	<u>\$ 348,584</u>	<u>\$ 175,740</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 48,520	\$ 20,900	\$ -	\$ -
Deferred revenue	<u>-</u>	<u>-</u>	<u>66,335</u>	<u>61,027</u>
Total liabilities	48,520	20,900	66,335	61,027
Fund balances - unreserved, undesignated	<u>1,034,230</u>	<u>284,769</u>	<u>282,249</u>	<u>114,713</u>
Total liabilities and fund balances	<u>\$ 1,082,750</u>	<u>\$ 305,669</u>	<u>\$ 348,584</u>	<u>\$ 175,740</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Special assessments receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds

Net assets of *governmental activities* (page 4)

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***Total  
governmental  
funds***

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\$ 1,551,528  
361,215

\$ 1,912,743

\$ 69,420  
127,362

196,782

1,715,961

\$ 1,912,743

\$ 1,715,961

127,362

4,075,867

(1,164,000)

\$ 4,755,190

*See notes to financial statements*

**Township of Port Sheldon**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<i>Major funds</i>			
	<i>General</i>	<i>Fire</i>	<i>Sewer District #1</i>	<i>Sewer District #2</i>
<b>REVENUES</b>				
Property taxes	\$ 548,169	\$ 189,027	\$ -	\$ -
Licenses and permits	64,258	-	-	-
State grants	311,810	-	-	-
Charges for services	28,548	-	-	-
Interest and rentals	82,752	6,182	7,820	4,985
Other:				
Special assessments	-	-	69,298	63,736
Lumber sales	40,858	-	-	-
Miscellaneous	26,558	-	-	-
Total revenues	<u>1,102,953</u>	<u>195,209</u>	<u>77,118</u>	<u>68,721</u>
<b>EXPENDITURES</b>				
Legislative	4,232	-	-	-
General government	397,604	-	688	-
Public safety	19,997	147,764	-	-
Public works	878,924	-	-	-
Community and economic development	67,153	-	-	-
Recreation and culture	61,963	-	-	-
Capital outlay	495	8,368	-	-
Debt service:				
Principal	-	-	-	23,000
Interest and fees	-	-	38,633	10,888
Total expenditures	<u>1,430,368</u>	<u>156,132</u>	<u>39,321</u>	<u>33,888</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(327,415)</u>	<u>39,077</u>	<u>37,797</u>	<u>34,833</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	31,967	-	-
Transfer out	<u>(31,967)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(31,967)</u>	<u>31,967</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(359,382)</u>	<u>71,044</u>	<u>37,797</u>	<u>34,833</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,393,612</u>	<u>213,725</u>	<u>244,452</u>	<u>79,880</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,034,230</u>	<u>\$ 284,769</u>	<u>\$ 282,249</u>	<u>\$ 114,713</u>

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***Total  
governmental  
funds***

---

\$ 737,196  
64,258  
311,810  
28,548  
101,739  
  
133,034  
40,858  
26,558

---

1,444,001

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4,232  
398,292  
167,761  
878,924  
67,153  
61,963  
8,863

23,000  
49,521

---

1,659,709

---

(215,708)

---

31,967  
(31,967)

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-

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(215,708)

1,931,669

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\$ 1,715,961

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See notes to financial statements

**Township of Port Sheldon**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds (Continued)**  
*Year ended March 31, 2008*

---

Net change in fund balances - total governmental funds (page 7) \$ (215,708)

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital assets:

Assets acquired	779,925
Provision for depreciation	(183,131)

Repayment of principal on capital debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 23,000

Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds.

Deduct - decrease in deferred special assessment revenues (125,760)

Change in net assets of *governmental activities* (page 5) \$ 278,326

*Township of Port Sheldon*  
**STATEMENT OF NET ASSETS - proprietary fund**  
*March 31, 2008*

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	<u><i>Water Fund</i></u>
<b>ASSETS</b>	
Current assets - cash	<u>\$ 26,274</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 26,274</u>

*See notes to financial statements*

**Township of Port Sheldon**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary fund***  
*Year ended March 31, 2008*

---

	<u><i>Water Fund</i></u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 17,624
<b>OPERATING EXPENSES</b>	
Operation and maintenance	<u>15,962</u>
<b>OPERATING INCOME</b>	1,662
<b>NONOPERATING REVENUE</b>	
Interest revenue	<u>649</u>
<b>CHANGE IN NET ASSETS</b>	2,311
<b>NET ASSETS - BEGINNING</b>	<u>23,963</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 26,274</u></u>

*See notes to financial statements*

**Township of Port Sheldon**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended March 31, 2008

---

**Water Fund**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 17,624
Payments to suppliers	(12,326)
Payments to employees	<u>(3,636)</u>

Net cash provided by operating activities 1,662

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received 649

**NET INCREASE IN CASH** 2,311

**CASH - BEGINNING** 23,963

**CASH - ENDING** \$ 26,274

**Reconciliation of operating income to net cash  
provided by operating activities:**

Net cash provided by operating activities - operating income \$ 1,662



*Township of Port Sheldon*

**STATEMENT OF FIDUCIARY NET ASSETS - agency funds**

*March 31, 2008*

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**ASSETS**

Cash	\$ 55,943
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**LIABILITIES**

Payables	\$ 55,943
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*See notes to the financial statements*

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Port Sheldon, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The component unit is reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the Township.

*Discretely-presented component unit:*

*Economic Development Corporation:*

The component unit's governing body is appointed by the Township Board and its budget must be approved by the Township Board. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessment receivables due within the current year is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of the costs of fire protection within the Township.

The Sewer District #1 Fund accounts for the funding and payment of principal and interest on debt associated with the Township's sewer system improvements in 2002.

The Sewer District #2 Fund accounts for the funding and payment of principal and interest on debt associated with Ottawa County's wastewater treatment plant expansion project in 2002.

The Township reports the following major proprietary fund:

The Water Fund accounts for the activities of the Township's water supply system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., water systems, shared sewer and road costs, and pathways), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Equipment	5 - 20 years
Vehicles	20 years
Infrastructure	20 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The Township experienced no significant budget variances during the fiscal year.

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component unit</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	<u>\$ 1,551,528</u>	<u>\$ 26,274</u>	<u>\$ 17,666</u>	<u>\$ 55,943</u>	<u>\$ 1,651,411</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2008, \$1,402,511 of the Township's bank balances of \$1,702,511 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At March 31, 2008, the receivables of the Township's funds were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental funds:					
General	\$ 12,348	\$ 20,395	\$ 48,381	\$ -	\$ 81,124
Fire	4,006	-	-	-	4,006
Sewer District #1	-	-	137,427	66,335	203,762
Sewer District #2	-	-	11,296	61,027	72,323
Totals	<u>\$ 16,354</u>	<u>\$ 20,395</u>	<u>\$ 197,104</u>	<u>\$ 127,362</u>	<u>\$ 361,215</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,875</u>	<u>\$ 110,875</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 236,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,443</u>
Capital assets being depreciated:				
Buildings and improvements	1,531,216	-	-	1,531,216
Equipment	376,421	7,881	-	384,302
Vehicles	678,090	-	-	678,090
Pathways	23,221	772,044	-	795,265
Shared road costs	184,167	-	-	184,167
Shared sewer costs	<u>1,495,000</u>	<u>-</u>	<u>-</u>	<u>1,495,000</u>
Subtotal	<u>4,288,115</u>	<u>779,925</u>	<u>-</u>	<u>5,068,040</u>
Less accumulated depreciation for:				
Buildings and improvements	(418,493)	(81,845)	-	(500,338)
Equipment	(202,838)	(24,055)	-	(226,893)
Vehicles	(268,094)	(33,704)	-	(301,798)
Pathways	(2,063)	(4,604)	-	(6,667)
Shared road costs	(4,497)	(1,548)	-	(6,045)
Shared sewer costs	<u>(149,500)</u>	<u>(37,375)</u>	<u>-</u>	<u>(186,875)</u>
Subtotal	<u>(1,045,485)</u>	<u>(183,131)</u>	<u>-</u>	<u>(1,228,616)</u>
Total capital assets being depreciated, net	<u>3,242,630</u>	<u>596,794</u>	<u>-</u>	<u>3,839,424</u>
Governmental activities capital assets, net	<u>\$ 3,479,073</u>	<u>\$ 596,794</u>	<u>\$ -</u>	<u>\$ 4,075,867</u>

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated - water system	\$ 107,671	\$ -	\$ -	\$ 107,671
Less accumulated depreciation	<u>(107,671)</u>	<u>-</u>	<u>-</u>	<u>(107,671)</u>
Total business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 40,724
Public safety	59,293
Public works	44,027
Recreation and culture	<u>39,087</u>
Total	<u>\$ 183,131</u>

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at March 31, 2008, consist of the following issues:

*Governmental activities:*

\$1,150,000 2002 Ottawa County sewage disposal contract payable (Port Sheldon sewer improvements) - payable in annual installments ranging from \$15,000 to \$90,000, plus interest at 3.0% to 5.0%; final payment due May 2022. \$ 980,000

\$345,000 2002 Ottawa County sewage disposal contract payable (treatment plant expansion) - payable in annual installments of \$23,000, plus interest at 2.50% to 4.55%; final payment due May 2017. 184,000

Total governmental activities \$ 1,164,000

Noncurrent liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
2002 contract payable #1	\$ 980,000	\$ -	\$ -	\$ 980,000	\$ 90,000
2002 contract payable #2	<u>207,000</u>	<u>-</u>	<u>(23,000)</u>	<u>184,000</u>	<u>23,000</u>
Total	<u>\$ 1,187,000</u>	<u>\$ -</u>	<u>\$ (23,000)</u>	<u>\$ 1,164,000</u>	<u>\$ 113,000</u>

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 6 - NONCURRENT LIABILITIES (Continued):

At March 31, 2008, debt service requirements were as follows:

<u>Year ended</u> <u>March 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 113,000	\$ 73,149
2010	73,000	49,214
2011	73,000	45,996
2012	78,000	42,729
2013	78,000	39,205
2014 - 2018	404,000	139,016
2019 - 2023	<u>345,000</u>	<u>43,420</u>
Totals	<u>\$ 1,164,000</u>	<u>\$ 432,729</u>

All debt is secured by the full faith and credit of the Township.

NOTE 7 - PAYABLES:

At March 31, 2008, the payables of the Township's funds were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter-</u> <u>governmental</u>	<u>Totals</u>
Governmental funds:				
General	\$ 48,520	\$ -	\$ -	\$ 48,520
Fire	<u>-</u>	<u>20,000</u>	<u>900</u>	<u>20,900</u>
Total	<u>\$ 48,520</u>	<u>\$ 20,000</u>	<u>\$ 900</u>	<u>\$ 69,420</u>

NOTE 8 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Assessments</u> <u>unavailable</u>
Sewer District #1	\$ 66,335
Sewer District #2	<u>61,027</u>
Totals	<u>\$ 127,362</u>



**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 15% of each qualified employee's base salary to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$23,793 during the fiscal year ended March 31, 2008.

**NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, follows:

Revenues	\$ 48,791
Expenses	<u>(61,066)</u>
Deficiency of revenues over expenses	<u>\$ (12,275)</u>

**NOTE 12 - INTERFUND TRANSFERS:**

A summary of interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Fire	\$ <u>31,967</u>	General	\$ <u>31,967</u>

The transfer to the Fire Fund from the General Fund represents temporary cash flow assistance.

**NOTE 13 - ECONOMIC DEPENDENCY:**

The Township received approximately 67% of its property tax revenue from one taxpayer.

**Township of Port Sheldon**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 14 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2008 that resulted in a restatement of net assets. Net assets as of April 1, 2007, included in the government-wide financial statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net assets</u> <u>Governmental</u> <u>activities</u>
Beginning of year, as previously reported	\$ 4,251,209
Prior period adjustment:	
Understatement of receivables	145,775
Overstatement of payables	<u>79,880</u>
Beginning of year, as restated	<u>\$ 4,476,864</u>

Prior period adjustments have been recorded in 2008 that resulted in restatements of fund equity. Fund equity as of April 1, 2007, included in the fund statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>	
	<u>Sewer</u> <u>District #1</u>	<u>Sewer</u> <u>District #2</u>
Beginning of year, as previously reported	\$ 98,677	\$ -
Prior period adjustment:		
Understatement of receivables	145,775	-
Overstatement of payables	<u>-</u>	<u>79,880</u>
Beginning of year, as restated	<u>\$ 244,452</u>	<u>\$ 79,880</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Port Sheldon**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 517,970	\$ 517,970	\$ 548,169	\$ 30,199
Licenses and permits	72,530	72,530	64,258	(8,272)
State grants	313,500	313,500	311,810	(1,690)
Charges for services	22,425	22,425	28,548	6,123
Interest and rentals	76,000	76,000	82,752	6,752
Other:				
Lumber sales	-	-	40,858	40,858
Miscellaneous	4,034	4,034	26,558	22,524
Total revenues	<u>1,006,459</u>	<u>1,006,459</u>	<u>1,102,953</u>	<u>96,494</u>
<b>EXPENDITURES</b>				
Legislative	<u>5,232</u>	<u>5,232</u>	<u>4,232</u>	<u>1,000</u>
General government:				
Supervisor	59,882	59,882	59,268	614
Elections	5,700	5,700	1,899	3,801
Assessor	73,950	73,950	63,558	10,392
Clerk	45,313	45,313	41,792	3,521
Treasurer	33,594	33,594	33,148	446
Board of Review	1,350	1,350	1,331	19
General administration	253,050	253,050	157,241	95,809
Hall and grounds	39,141	39,141	35,508	3,633
Cemetery	8,000	8,000	3,859	4,141
Total general government	<u>519,980</u>	<u>519,980</u>	<u>397,604</u>	<u>122,376</u>
Public safety:				
Law enforcement	2,550	2,550	1,980	570
Construction code inspections	21,000	21,000	18,017	2,983
Total public safety	<u>23,550</u>	<u>23,550</u>	<u>19,997</u>	<u>3,553</u>
Public works:				
Pathways	674,029	809,029	789,236	19,793
Road construction and maintenance	36,000	36,000	13,234	22,766
Sanitation	75,000	75,000	59,047	15,953

**Township of Port Sheldon**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public works (continued):				
Street lighting	\$ 15,000	\$ 15,000	\$ 14,320	\$ 680
Drains	<u>2,027</u>	<u>2,027</u>	<u>3,087</u>	<u>(1,060)</u>
Total public works	<u>802,056</u>	<u>937,056</u>	<u>878,924</u>	<u>58,132</u>
Community and economic development - planning and zoning	<u>70,252</u>	<u>70,252</u>	<u>67,153</u>	<u>3,099</u>
Recreation and culture - parks and recreation	<u>65,642</u>	<u>65,642</u>	<u>61,963</u>	<u>3,679</u>
Capital outlay	<u>322,000</u>	<u>187,000</u>	<u>495</u>	<u>186,505</u>
Total expenditures	<u>1,808,712</u>	<u>1,808,712</u>	<u>1,430,368</u>	<u>378,344</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(802,253)	(802,253)	(327,415)	474,838
<b>OTHER FINANCING USES</b>				
Transfer out - Fire fund	<u>(46,500)</u>	<u>(46,500)</u>	<u>(31,967)</u>	<u>14,533</u>
<b>NET CHANGES IN FUND BALANCES</b>	(848,753)	(848,753)	(359,382)	489,371
<b>FUND BALANCES - BEGINNING</b>	<u>1,393,612</u>	<u>1,393,612</u>	<u>1,393,612</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 544,859</u>	<u>\$ 544,859</u>	<u>\$ 1,034,230</u>	<u>\$ 489,371</u>

**Township of Port Sheldon**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 178,740	\$ 178,740	\$ 189,027	\$ 10,287
Interest	<u>4,000</u>	<u>4,000</u>	<u>6,182</u>	<u>2,182</u>
Total revenues	<u>182,740</u>	<u>182,740</u>	<u>195,209</u>	<u>12,469</u>
<b>EXPENDITURES</b>				
Public safety	183,195	183,195	147,764	35,431
Capital outlay	<u>53,615</u>	<u>53,615</u>	<u>8,368</u>	<u>45,247</u>
Total expenditures	<u>236,810</u>	<u>236,810</u>	<u>156,132</u>	<u>80,678</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(54,070)	(54,070)	39,077	93,147
<b>OTHER FINANCING SOURCES</b>				
Transfer in - General fund	<u>46,500</u>	<u>46,500</u>	<u>31,967</u>	<u>(14,533)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(7,570)	(7,570)	71,044	78,614
<b>FUND BALANCES - BEGINNING</b>	<u>213,725</u>	<u>213,725</u>	<u>213,725</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 206,155</u>	<u>\$ 206,155</u>	<u>\$ 284,769</u>	<u>\$ 78,614</u>

August 5, 2008

To the Board of Trustees  
Township of Port Sheldon

We have audited the financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Port Sheldon for the year ended March 31, 2008, and have issued our report thereon dated August 5, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Port Sheldon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Port Sheldon during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Port Sheldon's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Port Sheldon as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Port Sheldon's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Port Sheldon and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*